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Agenda Item 3

October 18, 2011

TO: MEMBERS OF THE BOARD GOVERNANCE COMMITTEE

- I. **SUBJECT:** Board Governance Project – Implementation Plan & Final Report Summary
- II. **PROGRAM:** Board Governance
- III. **RECOMMENDATION:** Information
- IV. **ANALYSIS:**

As a result of the comprehensive Board Governance project led by the Board President, and based on the actions taken by the Board at the August and September meetings, staff has put together an implementation plan that outlines the steps going forward. In addition, since the last meeting, Funston Advisory Services has finalized their report. The Executive Summary is attached (Attachment 1).

A staff work group has been formed that will be working closely with Committee Chairs and the Board President to facilitate the short and long-term changes. The work group has identified eight work streams that will each work on different identified areas of the governance plan. The work will be staggered throughout the coming year with some work streams going on longer than one year. The recommendations and actions taken by the Board are extensive and implementation will be incremental.

The first items to be presented to the Board for approval will be high level governance documents that provide an overall governance framework. These include the Board committee delegations to implement the new committee structure and the "powers reserved," as well as a revised delegation to the Chief Executive Officer. First and second readings of these documents will be presented at the November and December 2011 meetings. This will facilitate implementation of the new committee structure in the beginning of 2012. In addition, a revised Board Governance Policy will be presented, also as a first and second reading.

Attached you will find a Board Governance Project Implementation Timeline (Attachment 2), which provides a high level overview of when items will be brought to the Governance Committee and Board, as well a Project Overview (Attachment 3) which gives a definition of each work stream.

Over the coming weeks staff will be developing work plans for each of the eight work streams and adding additional detail to the implementation timeline. We intend to report to the Governance Committee monthly on the status of the project. Between meetings, the CEO will be meeting with the Board President regarding the project, and as the project develops, the Committee Chairs/Vice Chairs will be meeting with the staff liaisons for the various committees.

V. RISKS:

Failure to improve perception of CalPERS by members, employers, legislators and other stakeholders may erode trust, damage business relationships and opportunities, lead to recruitment and retention issues in the workforce, result in litigation, and prevent CalPERS from fulfilling its mission.

VI. STRATEGIC PLAN:

This item is not a specific product of either the Strategic or Annual Plans, but is part of the ongoing workload of the Board and Executive Office.

VII. RESULTS/COSTS:

This project will require a significant time commitment by both executive staff and the Board members.

PETER H. MIXON
General Counsel

ANNE STAUSBOLL
Chief Executive Officer